



HENGYANG PETROCHEMICAL LOGISTICS LIMITED

(Incorporated in Singapore on 23 April 2008)

(Company Registration Number: 200807923K)

PROPOSED INCREASE IN REGISTERED CAPITAL OF AND DILUTION OF THE EQUITY INTEREST HELD BY HENGYANG PETROCHEMICAL LOGISTICS LIMITED IN JIANGYIN FOREVERSUN CHEMICAL LOGISTICS CO., LTD.

1. INTRODUCTION AND BACKGROUND

- 1.1. The board of directors (the “**Board**” or the “**Directors**”) of Hengyang Petrochemical Logistics Limited (the “**Company**”, and together with its subsidiaries, the “**Group**”) wishes to announce that Jiangyin Foreversun Chemical Logistics Co., Ltd. (the “**China Holdco**”), a 49%-owned joint venture company of the Company, intends to increase its registered capital by RMB160.00 million (equivalent to approximately US\$23.84 million⁽¹⁾ or approximately S\$33.22 million⁽²⁾), from US\$123,041,800 (equivalent to approximately S\$171.42 million⁽³⁾) to approximately US\$146,881,833 (equivalent to approximately S\$204.64 million) (the “**Proposed Increase in Registered Capital**”).
- 1.2. The Proposed Increase in Registered Capital will be undertaken by the following means:
- (a) Hengyang Holding Pte. Ltd. (“**HHPL**”), a wholly-owned subsidiary of the Company and an existing shareholder of the China Holdco, which owns 49% of the equity interest in the China Holdco as at the date of this announcement, will inject additional capital of RMB8,616,101 (equivalent to approximately US\$1.28 million or approximately S\$1.79 million) in cash.
 - (b) Sinopec Chemical Sales Company Limited (中国石化化工销售有限公司) (“**Sinopec**”), the joint venture partner of HHPL and an existing shareholder of the China Holdco, which owns 49% of the equity interest in the China Holdco as at the date of this announcement, will inject additional capital of RMB134,400,000 (equivalent to approximately US\$20.03 million or approximately S\$27.90 million) in cash.
 - (c) Jiangyin Golden Bridge Chemical Co., Ltd. (江阴金桥化工有限公司) (“**Jinqiao Chemical**”), an existing creditor of the China Holdco, which has outstanding amounts due from the China Holdco aggregating RMB110,886,402 (equivalent to approximately US\$16.52 million or approximately S\$23.02 million) (the “**Debt Amount**”) as at the date of this announcement), will capitalise the entire Debt Amount as capital of the China Holdco (the “**Debt Capitalisation Exercise**”). Jinqiao Chemical will also inject additional capital of RMB14,897,497 (equivalent to approximately US\$2.22 million or approximately S\$3.09 million) in cash into the China Holdco and will subscribe for new

¹ The exchange rate of US\$1.00 to RMB6.7114 (being the middle exchange rate on 30 June 2022 published by The People's Bank of China) is applied throughout this announcement, unless otherwise stated.

² The exchange rate of S\$1.00 to RMB4.817 (being the middle exchange rate on 30 June 2022 published by The People's Bank of China) is applied throughout this announcement, unless otherwise stated.

³ The exchange rate of US\$1.00 to S\$1.3932 (being the cross exchange rate of the two exchange rates mentioned above) is applied throughout this announcement, unless otherwise stated.

registered capital in the China Holdco accordingly (the “**IPT Subscription Exercise**”). The Debt Capitalisation Exercise and the IPT Subscription Exercise shall hereafter collectively be referred to as the “**Proposed IPT Transactions**”.

- 1.3. The total consideration for the Proposed Increase in Registered Capital is RMB268.80 million (equivalent to approximately US\$40.05 million or approximately S\$55.80 million), which represents an excess of RMB108.80 million (equivalent to approximately US\$16.21 million or approximately S\$22.59 million) to the additional registered capital of RMB160.00 million (equivalent to approximately US\$23.84 million or approximately S\$33.22 million). Such excess will be booked as share premium in the accounts of the China Holdco.
- 1.4. Jinqiao Chemical is a company established and wholly-owned by Ms Sun Fang (“**Ms Sun**”), the spouse of Mr Gu Wen Long (“**Mr Gu**”, the Executive Director and Chief Executive Officer of the Company). Mr Gu is also a controlling shareholder of the Company and holds 114,100,000 ordinary shares (“**Shares**”) representing 56.08% interest in the capital of the Company through his wholly-owned company, Foreversun Holdings Co., Ltd. Accordingly, Jinqiao Chemical is an “interested person” under Rule 904(4) of the SGX-ST Listing Manual Section B: Rules of Catalist (the “**Catalist Rules**”), and each of the Proposed IPT Transactions will constitute an “interested person transaction” pursuant to Chapter 9 of the Catalist Rules, for which the approval of the shareholders of the Company (the “**Shareholders**”) who have no interest in the Proposed IPT Transactions (the “**Independent Shareholders**”) is required.

2. INFORMATION ON THE CHINA HOLDCO AND ITS SHAREHOLDERS (AND NEW SHAREHOLDER)

2.1. Information on the China Holdco

- (a) The China Holdco is a limited liability company incorporated in the People’s Republic of China (the “**PRC**”) on 25 November 2002 and is primarily engaged in the business of storage and warehousing of chemical products within port areas, storage and warehousing of food additives within port areas, general goods transportation, and construction and operation of public port facilities.
- (b) The shareholders of the China Holdco as at the date of this announcement is as follows:

Name of shareholder	Percentage of equity interest in the China Holdco
HHPL (that is, Hengyang Holding Pte. Ltd., incorporated in Singapore, which is wholly owned by the Company)	49%
Sinopec (that is, Sinopec Chemical Sales Company Limited (中国石化化工销售有限公司), incorporated in the PRC)	49%
CITIC Port (that is, CITIC Port Investment Co., Ltd., incorporated in the PRC)	2%
Total	100%

2.2. Information on HHPL

- (a) HHPL is a private company limited by shares incorporated in Singapore on 5 May 2008 and is a wholly-owned subsidiary of the Company.

- (b) HHPL is in the business of building, owning and operating petrochemical terminals, including petrochemical port facilities and petrochemical and oil product storage tanks, providing warehousing and logistics services for third parties and land transportation.
- (c) As at the date of this announcement, HHPL owns 49% of the equity interest in the China Holdco.

2.3. Information on Sinopec

- (a) Sinopec is a limited liability company incorporated under the laws of the PRC and is a state-owned enterprise. Sinopec is a wholly-owned subsidiary of China Petroleum & Chemical Corporation, a state-owned enterprise listed on the Hong Kong Stock Exchange.
- (b) China Petroleum & Chemical Corporation and its subsidiaries (that is, the Sinopec Group) are principally engaged in oil and gas and chemical operations and businesses, including (1) the exploration, development and production of crude oil and natural gas; (2) the refining, transportation, storage and marketing of crude oil and petroleum products; and (3) the production and sale of chemicals.
- (c) On 24 September 2021, Sinopec acquired 49% of the equity interest in the China Holdco from CITIC Port, following which Sinopec became the 49% shareholder of the China Holdco.

2.4. Information on CITIC Port

- (a) CITIC Port is a limited liability company incorporated under the laws of the PRC on March 2006 and is a state-owned enterprise. CITIC Port is a joint investment between CITIC Xingye Investment Group Co., Ltd. and CITIC Xingye Investment Ningbo Co., Ltd.. CITIC Port is the operation platform of CITIC Xingye Investment Co., Ltd.'s port business.
- (b) CITIC Port became the 49% shareholder of the China Holdco in May 2017 and sold its 49% equity interest in the China Holdco to Sinopec in September 2021.
- (c) HHPL transferred 2% equity interest in the China Holdco to CITIC Port for a nominal consideration in September 2021 so that the China Holdco can comply with the loan covenant of its material bank loans. For more information, please refer to the Company's announcement dated 1 September 2021.

2.5. Information on Jinqiao Chemical

- (a) Jinqiao Chemical was established in 2000 in the PRC and is engaged in the business of chemical import and export, distribution by sea and river transportation.
- (b) Jinqiao Chemical has been extending loans to the China Holdco since 2012. As at the date of this announcement, the Debt Amount (being RMB110,886,402 (equivalent to approximately US\$16.52 million or approximately S\$23.02 million)) remains due from the China Holdco to Jinqiao Chemical. Following the completion of the Debt Capitalisation Exercise, the Debt Amount will be fully repaid.

3. THE PROPOSED INCREASE IN REGISTERED CAPITAL AND THE PROPOSED IPT TRANSACTIONS

3.1. The contributions to the registered capital of the China Holdco arising from the Proposed Increase in Registered Capital are as follows:

Name of shareholder	Consideration (RMB) ⁽¹⁾	Amount to be allocated to registered capital (RMB)	Amount to be allocated to share premium (RMB)
HHPL (that is, Hengyang Holding Pte. Ltd., incorporated in Singapore, which is wholly owned by the Company)	8,616,101(in cash)	5,128,632	3,487,469
Sinopec (that is, Sinopec Chemical Sales Company Limited (中国石化化工销售有限公司), incorporated in the PRC)	134,400,000 (in cash)	80,000,000	54,400,000
Jinqiao Chemical (that is, Jiangyin Golden Bridge Chemical Co., Ltd., incorporated in the PRC, which is wholly owned by Ms Sun, the spouse of Mr Gu)	125,783,899 (in cash and through the Debt Capitalisation Exercise)	74,871,368	50,912,531
Total	268,800,000	160,000,000	108,800,000

Note:

(1) The registered capital of the China Holdco is stated in US\$ in the China Holdco's memorandum and articles of association. The China Holdco is undertaking the Proposed Increase in Registered Capital in RMB and will log in the US\$ equivalent amount in its memorandum and articles of association based on the exchange rate on the actual date of capital increase.

3.2. The changes to the registered capital of the China Holdco arising from the Proposed Increase in Registered Capital are as follows:

Name of shareholder	Registered capital (US\$'000)	
	Before the Proposed Increase in Registered Capital	After the Proposed Increase in Registered Capital ⁽¹⁾
HHPL (that is, Hengyang Holding Pte. Ltd., incorporated in Singapore, which is wholly owned by the Company)	60,290.70	61,054.87
Sinopec (that is, Sinopec Chemical Sales Company Limited (中国石化化工销售有限公司), incorporated in the PRC)	60,290.70	72,210.72
CITIC Port (that is, CITIC Port Investment Co., Ltd., incorporated in the PRC)	2,460.40	2,460.40
Jinqiao Chemical (that is, Jiangyin Golden Bridge Chemical Co., Ltd., incorporated in	NIL	11,155.85

Name of shareholder	Registered capital (US\$'000)	
	Before the Proposed Increase in Registered Capital	After the Proposed Increase in Registered Capital ⁽¹⁾
the PRC, which is wholly owned by Ms Sun, the spouse of Mr Gu)		
Total	123,041.80	146,881.84

Note:

- (1) The registered capital of the China Holdco is stated in US\$ in the China Holdco's memorandum and articles of association. The China Holdco is undertaking the Proposed Increase in Registered Capital in RMB and will log in the US\$ equivalent amount in its memorandum and articles of association based on the exchange rate on the actual date of capital increase.

- 3.3. Following the completion of the Proposed Increase in Registered Capital and the Proposed IPT Transactions ("**Completion**"), the equity holding structure of the China Holdco will be as follows:

Name of shareholder	Percentage of equity interest in the China Holdco prior to Completion	Percentage of equity interest in the China Holdco immediately after Completion ⁽¹⁾
HHPL (that is, Hengyang Holding Pte. Ltd., incorporated in Singapore, which is wholly owned by the Company)	49%	41.57%
Sinopec (that is, Sinopec Chemical Sales Company Limited (中国石化化工销售有限公司), incorporated in the PRC)	49%	49.16%
CITIC Port (that is, CITIC Port Investment Co., Ltd., incorporated in the PRC)	2%	1.68%
Jinqiao Chemical (that is, Jianguin Golden Bridge Chemical Co., Ltd., incorporated in the PRC, which is wholly owned by Ms Sun, the spouse of Mr Gu)	NIL	7.59%
Total	100%	100%

Note:

- (1) The percentages were calculated based on the US\$ to RMB exchange rate as at 30 June 2022. The final percentages will be dependent on the exchange rate on the actual date of capital increase.

As set out above, the Group's effective interest in the China Holdco will be reduced from 49.0% to 41.57%, representing a dilution of 7.43 percentage points or 15.17%.

As mentioned above, the percentages upon Completion were calculated based on the US\$ to RMB exchange rate as at 30 June 2022. The final percentages will be dependent on the exchange rate on the actual date of capital increase. Based on the data extracted from Bloomberg L.P., the highest US\$ to RMB exchange rate for the period between 1 January 2022 and 12 July 2022 was US\$1.00 to RMB6.7893 while the lowest US\$ to RMB exchange rate for the period between 1 January 2022 and 12 July 2022 was US\$1.00 to RMB6.3093. If the

Proposed Increase in Registered Capital is logged in at the aforementioned highest exchange rate, the Group's effective interest in the China Holdco will be reduced from 49.0% to 41.64%, representing a dilution of 7.36 percentage points or 15.02%. If the Proposed Increase in Registered Capital is logged in at the aforementioned lowest exchange rate, the Group's effective interest in the China Holdco will be reduced from 49.0% to 41.17%, representing a dilution of 7.83 percentage points or 15.97%.

As the percentage reduction of the Group's effective interest in the China Holdco is below 20% and there is no change to the accounting treatment of the China Holdco to the Group arising from the Proposed Increase in Registered Capital, the Proposed Increase in Registered Capital is not a transaction which requires the approval of Shareholders under Rule 805(2) of the Catalist Rules.

4. RATIONALE FOR THE PROPOSED INCREASE IN REGISTERED CAPITAL AND THE PROPOSED IPT TRANSACTIONS

The Proposed Increase in Registered Capital will strengthen the financial position of the China Holdco and allows the China Holdco to be in a better position to expand its business in China. For example, the China Holdco has recently completed the acquisition of 49% interest in Odfjell Nangang Terminals (Tianjin) Co., Ltd. (天津南港奥德费尔码头仓储有限公司) ("Tianjin Odfjell") in June 2022 and intends to acquire an additional 21% interest in Tianjin Odfjell by way of public tender administered by the Tianjin Property Rights Exchange (天津产权交易中心) in the PRC (the "21% Tender"). Shareholders may refer to the Company's circular to Shareholders dated 8 July 2022 for further details on the 21% Tender. If the 21% Tender is successful, the China Holdco would have depleted a substantial portion of its cash reserves to settle the consideration for the 21% Tender.

The Debt Capitalisation Exercise will improve the debt to equity gearing ratio of the China Holdco from 1.57 times to 0.96 times (based on the unaudited consolidated financial statements of the China Holdco as at 31 March 2022). In addition, as at 31 December 2021, the Company only had cash and cash equivalents of RMB40.99 million (equivalent to approximately S\$8.51 million), of which RMB8.94 million in the form of bank guarantee deposit cannot be used. Following the capital injection into the China Holdco by HHPL, the Company will have usable cash and cash equivalents of RMB23.43 million (equivalent to approximately S\$4.86 million). As the Company needs to preserve cash for its working capital for the next three (3) to five (5) years, HHPL will only be injecting RMB8.62 million (equivalent to approximately S\$1.79 million) into the China Holdco as part of the Proposed Increase in Registered Capital.

Accordingly, the Board believes that the Proposed Increase in Registered Capital and the Proposed IPT Transactions are in the interests of the Group and the Shareholders in the long run. The Proposed Increase in Registered Capital and the Proposed IPT Transactions are undertaken pursuant to a strategic review of the financial position, operational needs, long-term strategy and direction of the Group.

5. FINANCIAL EFFECTS OF THE PROPOSED INCREASE IN REGISTERED CAPITAL AND THE PROPOSED IPT TRANSACTIONS

5.1. Assumptions

The *pro forma* financial effects of the Proposed Increase in Registered Capital and the Proposed IPT Transactions as set out below are for illustrative purposes only and do not reflect

the actual financial position or the future financial performance of the Company or the Group after Completion.

The *pro forma* financial effects in this section are based on the consolidated audited financial statements of the Group for the financial year ended 31 December 2021 (“FY2021”). The *pro forma* financial effects of the Proposed Increase in Registered Capital and the Proposed IPT Transactions have been prepared based on the following assumptions:

- (i) The Company has 203,461,883 Shares as at 31 December 2021;
- (ii) The Proposed Increase in Registered Capital and the Proposed IPT Transactions had been completed on 31 December 2021 for the purposes of computing the *pro forma* financial effects on the net tangible assets (“NTA”) of the Group; and
- (iii) The Proposed Increase in Registered Capital and the Proposed IPT Transactions had been completed on 1 January 2021 for the purposes of computing the *pro forma* financial effects on the losses per Share (“LPS”) of the Group for FY2021.

5.2. Effects on NTA per Share

	Immediately before Completion	Immediately after Completion
NTA (RMB'000) :	552,922	473,921
Number of Shares :	203,461,883	203,461,883
NTA per Share (RMB cents) :	271.76	232.93

5.3. Effects on LPS

	Immediately before Completion	Immediately after Completion
Loss attributable to Shareholders (RMB'000) :	(23,568)	(20,067)
Number of Shares :	203,461,883	203,461,883
LPS (RMB cents) :	(11.58)	(9.86)

6. APPLICATION OF CHAPTER 9 OF THE CATALIST RULES – THE PROPOSED IPT TRANSACTIONS AS INTERESTED PERSON TRANSACTIONS

6.1. Interested person transactions

Jinqiao Chemical is wholly owned by Ms Sun, who is the spouse of Mr Gu, the Director and Chief Executive Officer of the Company. Mr Gu is also a controlling shareholder of the Company with approximately 56.08% equity interest in the share capital of the Company, held through his wholly owned investment holding vehicle Foreversun Holdings Co., Ltd. As such, Jinqiao

Chemical is an associate of Mr Gu and is thus an “interested person” under Rule 904(4) of the Catalist Rules.

The entity at risk is the China Holdco, which is the 49% joint venture entity of the Company. As at 31 December 2021, the Group’s carrying amount of investment in the China Holdco was approximately RMB513,217,000, representing 93% of the total assets of the Group.

Accordingly, each of the Proposed IPT Transactions (namely, the Debt Capitalisation Exercise and the IPT Subscription Exercise) constitutes an “interested person transaction” pursuant to Chapter 9 of the Catalist Rules.

6.2. Value of the interested person transactions

The total value of the Proposed IPT Transactions is RMB125,783,899 (equivalent to approximately S\$26.11 million), which represents approximately 22.75% of the latest audited NTA of the Group as at 31 December 2021. As the value of the Proposed IPT Transactions exceeds 5% of the Group’s latest audited NTA, pursuant to Rule 906 of the Catalist Rules, each of the Proposed IPT Transactions is subject to the approval of the Independent Shareholders being obtained at an extraordinary general meeting (“**EGM**”) to be convened.

6.3. Total value of interested person transactions for the financial year

- (a) As at the date of this announcement, the aggregate value of all interested person transactions entered into by the Group with Jinqiao Chemical for the current financial year ending 31 December 2022 (“**FY2022**”) is approximately RMB139,339,412 (equivalent to approximately S\$28.93 million). This amount is inclusive of the Proposed IPT Transactions, which are part of the subject of this announcement.
- (b) As at the date of this announcement, the aggregate value of all interested person transactions entered into by the Group for FY2022 is approximately RMB155,454,874 (equivalent to approximately S\$32.27 million). The transactions entered into by the Group with its interested persons for FY2022 are conducted under the shareholders’ mandate for interested person transactions renewed at the Company’s annual general meeting held on 28 April 2022.

6.4. Audit Committee’s statement

The Audit Committee of the Company will obtain an opinion from an independent financial adviser (“**IFA**”) to be appointed in connection with the Proposed IPT Transactions, before forming its view on whether the Proposed IPT Transactions are on normal commercial terms and are not prejudicial to the interests of the Company and the Independent Shareholders.

7. **EXTRAORDINARY GENERAL MEETING TO BE CONVENED**

- 7.1. The Company will convene an EGM in due course to seek the approval from its independent Shareholders for each of the Proposed IPT Transactions as an interested person transaction.
- 7.2. Mr Gu will abstain, and will undertake to ensure that each of his associates will abstain, from voting on the resolution(s) relating to the Proposed IPT Transactions to be tabled at the EGM.

7.3. In compliance with the Catalist Rules, the Circular containing, *inter alia*, further details on (i) the Proposed Increase in Registered Capital and (ii) the Proposed IPT Transactions, as well as the opinion from the IFA, will be despatched to the Shareholders in due course.

8. INTERESTS OF DIRECTORS, SUBSTANTIAL SHAREHOLDERS OR THEIR ASSOCIATES IN THE PROPOSED INCREASE IN REGISTERED CAPITAL AND THE PROPOSED IPT TRANSACTIONS

Save as disclosed in Section 6 above, none of the Directors (other than in his capacity as a Director or Shareholder, as the case may be), substantial Shareholders or their associates has any interest, direct or indirect, in the Proposed Increase in Registered Capital and the Proposed IPT Transactions.

9. DOCUMENTS FOR INSPECTION

As at the date of this announcement, no agreements in relation to the Proposed Increase in Registered Capital and the Proposed IPT Transactions have been entered into by the Group and there is no document available for inspection.

10. DIRECTORS' RESPONSIBILITY STATEMENT

The Directors collectively and individually accept full responsibility for the accuracy of the information given in this announcement and confirm after making all reasonable enquiries that to the best of their knowledge and belief, this announcement constitutes full and true disclosure of all material facts about the Proposed Increase in Registered Capital, the Proposed IPT Transactions, the Company and its subsidiaries (including its joint venture company, that is, the China Holdco), and the Directors are not aware of any facts the omission of which would make any statement in this announcement misleading. Where information in this announcement has been extracted from published or otherwise publicly available sources or obtained from a named source, the sole responsibility of the Directors has been to ensure that such information has been accurately and correctly extracted from those sources and/or reproduced in this announcement and the circular in its proper form and context.

11. CAUTIONARY STATEMENT

Shareholders and potential investors are advised to exercise caution when dealing in the securities of the Company. There is no certainty or assurance that the Proposed Increase in Registered Capital and the Proposed IPT Transactions will be completed. The Company will make the necessary announcements, in compliance with the requirements of the Catalist Rules, as and when there are material developments in respect of the Proposed Increase in Registered Capital, the Proposed IPT Transactions and other matters contemplated in this announcement. Shareholders are advised to read this announcement and any further announcements by the Company carefully. Shareholders should consult their stockbrokers, bank managers, solicitors or other professional advisers if they have any doubt about the actions they should take.

By Order of the Board

GU WEN LONG
Director and Chief Executive Officer

13 July 2022

*This announcement has been reviewed by the Company's Sponsor, Xandar Capital Pte Ltd ("**Sponsor**"). This announcement has not been examined or approved by Singapore Exchange Securities Trading Limited (the "**SGX-ST**") and the SGX-ST assumes no responsibility for the contents of this announcement including the correctness of any of the statements or opinions made or reports contained in this announcement. The contact person for the Sponsor is Ms Pauline Sim, Head of Corporate Finance, at 3 Shenton Way, #24-02 Shenton House, Singapore 068805, telephone (65) 6319 4954.*